

ABSTRACT

The dualistic structure of the Indonesian labor market, characterized by the existence of formal and informal sectors, means that minimum wage policies cannot be implemented comprehensively. Minimum wages have spillover effects on sectors that are not covered. This research aims to analyze the effect of wages on the probability of workers leaving the formal sector in the observation year 2022, with a case study in the Jabodetabek area.

This research uses data from the August 2022 National Labor Force Survey (Sakernas) obtained from the Central Statistics Agency and analyzed using logistic regression. The total sample of workers used was 1,513 workers in the Jabodetabek area who met the specified criteria.

The research results show that workers with wages below the UMK level have a greater probability of switching from the formal sector to the informal sector than workers with wages above the applicable UMK level.

Keywords: Wage, Minimum Wage, Formal-Informal Sector